

**April 24, 2006**  
**Wal-Mart Bank CRA Activities**

Wal-Mart Bank's CRA plan is structured with the goal of permitting Wal-Mart Bank ("WMB") to achieve an "outstanding" rating under CRA regulations applicable to a Wholesale Bank, 12 C.F.R. § 345.25. As a wholesale bank for CRA purposes, WMB will be evaluated under the community development test. This test reviews an institution's record of meeting the credit needs of its community through community development lending, investments, and services. WMB will not have a lending product, and thus it could not prudently engage in CRA-related lending activities. Accordingly, its CRA activity will be in community development investments and services.

WMB recognizes that because it intends to hold assets that are high-quality, low-risk securities and its revenues will be overwhelmingly derived from fees, the Bank will be positioned to pursue direct CRA-qualifying investments and activities at extraordinary levels. These are summarized in Part I, below. We believe that WMB's direct qualifying investment and service activities will compare favorably to, and we hope will exceed, the CRA performance of existing peer banks that have received the strongest "outstanding" CRA ratings.

In addition, in accordance with 12 C.F.R. § 345.25(d), the bank will ask to FDIC to take account of qualifying indirect activities.<sup>1</sup> See Part II, below. These indirect qualifying activities include (1) nationwide provision of basic money services to low- and moderate-income persons at costs substantially below other providers (estimated annual costs savings by our customers exceed \$150 million per year), and (2) the largest annual amount of community and charitable donations by any company-affiliated foundation in the country. We believe that these indirect activities likewise are consistent with "outstanding" CRA ratings.

**PART I – DIRECT WMB QUALIFYING ACTIVITIES**

- A. Investment and Service Activities & Initiatives – Regulatory examination guidelines indicate to achieve an "Outstanding" regulatory assessment of this area WMB must have a high level of community development services or qualified investments, particularly investments that are not routinely provided by private investors. An emphasis will be placed on developing and/or participating in innovative or complex qualified investments and community development services. Our CRA qualifying community development activities will include:**

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<sup>1</sup> "(d) *Indirect activities*. At a bank's option, the FDIC will consider in its community development performance assessment: (1) Qualified investments or community development services provided by an affiliate of the bank, if the investments or services are not claimed by any other institution; and (2) Community development lending by affiliates, consortia and third parties, subject to the requirements and limitations in § 345.22(c) and (d)."

1. **CRA Qualified Investment goal of 15% of Assets.** WMB will target a ratio of CRA-related investments to average assets of **15% or about \$20 million by the end of its first year of operation.** The Bank's ability to achieve this goal will depend on the availability of qualifying investments that meet safety-and-soundness criteria.<sup>2</sup> The Bank will endeavor to identify appropriate qualifying investments directly benefiting its assessment area, or the state of Utah, but has no assurance that it will be able to make investments at the projected level within Utah. In view of the concentration of wholesale, limited-purpose and strategic plan banks in Utah, there is great competition for such investments. Accordingly, in keeping with § 345.25(e)(2),<sup>3</sup> WMB anticipates that it will make qualifying investments outside its assessment area.

2. **Qualifying Investments.** The Bank will seek opportunities to invest in innovative or complex investments not routinely provided by private investors, such as qualified investment pools created to provide funding for low- and moderate-income housing, community development or job creation, as well as state housing and economic development bonds.

3. **Technical Assistance.** WMB will seek opportunities to provide technical assistance to community-based nonprofit organizations and development agencies.

4. **Program Sponsorship.** WMB will seek to sponsor special programs or services in the Salt Lake City community that provide services to low- and moderate-income residents related to housing, job creation and other CRA-qualified community development programs and services.

5. **Assessment Area Needs Assessment: Housing<sup>4</sup>.** WMB will seek to invest in, and provide service to community organizations engaged in affordable housing rehabilitation and construction, including multifamily rental housing. As part of our initial and preliminary needs assessment, we have identified already the following such organizations in our assessment area: Utah Non Profit Housing Corporation, Utah Housing Corporation, UTFC Financing Solutions, LLC, Salt Lake Neighborhood Housing Services, the Utah Housing Coalition and Utah Community Reinvestment Corporation. As this needs assessment is further developed and a wider range of opportunities is identified, each opportunity will

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<sup>2</sup> "(d) *Safe and sound operations.* This part and the CRA do not require a bank to make loans or investments or to provide services that are inconsistent with safe and sound operations. To the contrary, the FDIC anticipates banks can meet the standards of this part with safe and sound loans, investments, and services on which the banks expect to make a profit. Banks are permitted and encouraged to develop and apply flexible underwriting standards for loans that benefit low- or moderate-income geographies or individuals, only if consistent with safe and sound operations." 12 C.F.R. § 345.21(d).

<sup>3</sup> "(2) *Benefit outside assessment area(s).* The FDIC considers the qualified investments, community development loans, and community development services that benefit areas outside the bank's assessment area(s), if the bank has adequately addressed the needs of its assessment area(s)."

<sup>4</sup> The CRA Plan submitted on March 31, 2006, includes a statistical needs assessment of our assessment area; that presentation is not reproduced here.

be evaluated on its own merits, consistent with the strength of the organization and their individual alignment with CRA objectives. Based on such an evaluation, recommendations will be made to the WMB Board for specific investments and grants to be authorized. In addition, as part of Wal-Mart's general volunteerism commitment, the CEO, CRA Officer, and other WMB officers and associates will determine which of these or other organizations present opportunities for individual leadership and involvement by Bank and affiliate associates.

6. **Assessment Area Needs Assessment: Community Development.** WMB will focus on developing relationships with community organizations and facilities that promote community development in low and moderate-income areas for low and moderate-income individuals, such as small business development programs, youth programs, homeless centers, soup kitchens, health care facilities, battered women's centers, alcohol and drug recovery centers, and day care facilities. As part of our initial and preliminary needs assessment, we have identified already the following community organizations in our assessment area: Artspace, Pete Suazo Business Center, The Road Home, Utah Microenterprise Loan Fund, Utah Technical Finance Corporation, Family Support Center, and Salt Lake Community Services Council. As this needs assessment is further developed and a wider range of opportunities is identified, each opportunity will be evaluated on its own merits, consistent with the strength of the organization and their individual alignment with CRA objectives. Based on such an evaluation, recommendations will be made to the WMB Board for specific investments and grants to be authorized. In addition, as part of Wal-Mart's general volunteerism commitment, the CEO, CRA Officer, and other WMB officers and associates will determine which of these or other organizations present opportunities for individual leadership and involvement by Bank and affiliate associates.

7. **Training Programs.** The Bank will develop and administer a formal employee training program with regard to current consumer regulations, current civil rights laws and WMB's policies and procedures.

8. **Community Development CD.** In assessing the needs of the various constituencies that the Bank can serve consistent with its narrow business plan and no-branching commitment, the bank determined that nonprofit organizations could benefit from the availability of a higher yielding insured certificate of deposit and accordingly proposes to help meet the convenience and needs of such organizations through such a CD. WMB will market its community development certificate of deposit product to over 43,000 Section 501(c)(3) qualified nonprofit organizations on a regular basis. By offering above market rates (anticipated to be 10 to 25 basis points above market for similar instruments) or lower than market rate minimum account thresholds, these accounts will benefit these community service organizations and thus indirectly support their community activity.

9. **Compliance Assessment.** All WMB policies and procedures will annually be evaluated and reviewed to ensure compliance with current consumer regulations and civil rights laws.

10. **Affiliate Involvement in CRA Service Activities.** WMB will seek to develop and leverage existing and future CRA-qualified activities of Wal-Mart's Salt Lake County and other Utah stores, the associates in these stores, and other affiliated organizations to benefit WMB's CRA Assessment Area and other Utah communities.

**B. Responsiveness to Community Development Needs - In order to achieve an "Outstanding" regulatory assessment of this area WMB will exhibit excellent responsiveness to credit and community economic development needs in its assessment area. WMB will meet these requirements by doing the following:**

1. **Community Leadership.** WMB's designated CEO and CRA Officer have extensive experience of participation and leadership in CRA qualifying activities. The CEO has been serving for a number of years in leadership capacities with the Utah Non Profit Housing Corporation and Artspace and will continue to do so in the future as WMB CEO. The CRA Officer had a leadership role in providing the FDIC Money Smart program to the 1,300,000 Wal-Mart associates (employees) and in a prior position with a community bank in Florida in developing America Saves programs in communities served by 60 branches of that bank. Both officers thus have substantial prior experience in identifying and serving community needs.

2. **Ongoing Needs Assessment.** The CRA Officer, under the direction of the Board of Directors, will conduct needs assessment interviews with local community development, housing and social service agencies. The CRA Officer will maintain working relationships with representatives of other local financial institutions in an effort to develop coordinated responses to credit and community development needs.

3. **Initiatives and Commitments.**

As part of WMB's needs assessment efforts, the CRA Officer and the Board of Directors will identify and evaluate the effectiveness of potential community-related investments. Information gained from the needs assessment process will be used to design appropriate responses in WMB's CRA program. Investments that contribute to meeting community credit or development needs will be presented to the Board of Directors for review and approval. The organizations identified above provide a starting list of entities in the Bank's assessment area in which investments may be made.

4. **Community Involvement of WMB Associates.** In addition to the ongoing service activities of the CEO outlined above, WMB's other officers will be encouraged to assume leadership or advisory roles in community development,

housing or social service agencies within the Bank's assessment area.. Such participation has long been encouraged by the Wal-Mart philosophy of community involvement and volunteerism.

5. **Service Log.** The CRA Officer will maintain a log of all community service and needs assessment efforts undertaken by WMB directors, officers and employees.
6. **Community Outreach.** We recognize that the Bank's opportunity to provide products, services, and investments within its assessment area will be enhanced by making known its capacity and willingness to do so. Accordingly, WMB will proactively seek appropriate means for informing members of the community of its community investment and services purposes and activities.

**C. Assessment Area, Reporting, Board Approval / Disclosure, Public File, and Public Notice.**

**WMB will perform all required functions associated with compliance:**

1. **Assessment Area Review.** The CRA Committee will review the reasonableness of WMB's delineated assessment area on an annual basis and, if necessary, make recommendations to the Board. The CRA assessment area relative to WMB's obligation under the Community Reinvestment Act is designated as Salt Lake County.
2. **Deposit Distribution.** The CRA Officer will perform an annual analysis of the geographic distribution of deposit accounts and present the results to the Board of Directors.
3. **Public File.** WMB shall maintain a public file containing the following information and ensure that the information is current as of April 1 of each year:
  - a. All written comments received from the public for the current year and each of the prior two calendar years that specifically relate to WMB's performance in helping to meet community credit needs, and any response by WMB to the comments received.
  - b. A copy of the public section of the bank's most recent FDIC prepared CRA Performance Evaluation.
  - c. A list of services (including hours of operation, available deposit products, and transaction fees) generally offered.
  - d. A map of WMB's assessment area showing the boundaries and identifying the geographies contained within the area, either on the map or in a separate list.

4. **Public Notice.** WMB shall provide in the lobby of its main office, the appropriate public notice set forth in Appendix B to Part 345 - CRA Notice [12 CFR 345.44].

## **PART II – INDIRECT QUALIFYING ACTIVITIES**

**WMB would ask to the FDIC to consider two distinct types of indirect qualifying activities: (1) financial service products and services provided to Wal-Mart customers in stores<sup>5</sup> and (2) community services and donations made by Wal-Mart and the Wal-Mart Foundation.**

### **A. Wal-Mart Financial Services Division products and services**

Under the CRA rules, "community development services" include providing financial services of the type provided by banks to low- or moderate-income persons. See § 345.12(i). The Wal-Mart Financial Services Division has partnered with non-affiliated third-party providers to offer basic money order, money transfer/remittance and payroll check cashing services in stores at prices significantly below those charged by other providers. These services are primarily directed toward unbanked or under-banked customers, who are overwhelmingly low- and moderate-income, and who rely upon a check-casher to cash their paychecks, nonbank providers to get money orders to pay rent or utility bills, and money transmitters to send funds to family members in the U.S. or in other countries.

Wal-Mart is a major provider of these basic money services and provides them at "everyday low prices" that save these economically challenged customers substantial amounts of money. Wal-Mart estimates that its customers save between \$3 million and \$4 million each week, or between \$150 million and \$200 million a year, by using its money service products rather than those of its high-priced competitors.

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<sup>5</sup> Although not specifically set forth in the WMB CRA Plan, we believe the following facts are worthy of note:

- (1) the fact that a substantial proportion of Wal-Mart's regular store customers have low or moderate incomes or live in low- or moderate-income communities and that these customers' lives and standard of living are directly and positively benefited by the product availability, convenience and pricing at the core of Wal-Mart's "everyday low price" approach to retailing in all its stores (historically, convenient retail options for low- and moderate-income communities in both urban and rural areas have often provided only limited product selection and high prices);
- (2) that Wal-Mart has 330 stores located in low- and moderate-income areas, which provide not only convenient, low-cost products and services, but also tens of thousands of jobs; additional stores in such areas are in development;
- (3) that Wal-Mart has expanded banking services to low- and moderate-income families and communities through its program to lease space in every Supercenter and every other store in which a lease space is available to an independent community or regional bank and that these in-store locations make banking services available to our low- and moderate-income customers in a convenient and comfortable environment; and
- (4) that our Sam's Club stores allow thousands of small businesses to purchase goods and supplies at our "everyday low prices."

These products and services include:

1. ***A low-cost check cashing product*** through Certegy (now part of Fidelity National Information Services, Inc. a subsidiary of Fidelity National Financial, Inc.). The cost of this service is significantly lower than traditional check cashing costs for consumers (\$3.00 at Wal-Mart versus an average of \$6.00 at non Wal-Mart locations). This product primarily serves low- and moderate-income individuals and has received wide acceptance.
2. ***Inexpensive money orders*** through an arrangement with MoneyGram (\$0.46 each at Wal-Mart versus an industry average of \$0.75). The product has also received wide acceptance and, combined with the demographic information about the average customer of Wal-Mart, provides financial services to low- and moderate-income individuals.
3. ***A reasonably priced international money transfer product*** designed in conjunction with MoneyGram and offered to individuals at all Wal-Mart Store locations. This product is reasonably priced (\$9.46 at Wal-Mart versus an average of \$15.00 at non-Wal-Mart locations). This is another partnered product arranged by Wal-Mart Financial Services that provides affordable products to low- and moderate-income individuals.<sup>6</sup>

In addition, Wal-Mart Financial Services has partnered with GE to offer a Community Card to qualified non-profit charitable and educational organizations designated as 501(c)(3) entities by the Internal Revenue Service. This program supports credit availability to approximately 43,000 nonprofit organizations across the country.

## **B. Community Service and Investment Activities of Wal-Mart and the Wal-Mart Foundation**

Wal-Mart Foundation donations exceeded \$170 million during the fiscal year ending January 31, 2005, and approached \$200 million for the fiscal year ending January 31, 2006. These donations were directed to helping improve the quality of life for customers and their communities, addressing environmental issues and promoting education. Wal-Mart and the Foundation's donations in Utah for the fiscal year ending January 31, 2005 totaled approximately \$1.7 million and \$2.3 million for the fiscal year ending January 31, 2006. These donations supported communities and local non-profit organizations. Of the nearly \$200 million donated during 2005, more than 90% of those contributions were made to organizations at the local level. These decisions are made at the local level, based on recommendations from associates (employees) and the perceived needs of the community.

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<sup>6</sup> We note that the [Interagency Questions and Answers Regarding Community Reinvestment](#), which accompany the FDIC CRA Rules at Part 345, were recently amended to make specific, positive reference to "providing international remittances services that increase access to financial services by low- and moderate-income persons." See 71 Fed. Reg. 112424, 12432 (Mar. 10, 2006).

1. Examples of just two of the many programs receiving support from Wal-Mart Stores that specifically address the needs of low- and moderate-income individuals include America's Second Harvest and Rebuilding Together.
2. In the immediate wake of Hurricanes Katrina and Rita, Wal-Mart donated more than \$18 million in cash and more than \$3 million in merchandise to relief efforts.
3. Many of the community development programs supported by Wal-Mart Stores are outlined in the brochure titled "Wal-Mart Supporting Our Communities: Helping make a Difference" and "Charitable Giving, Wal-Mart Good for America's Communities."

### **C. Record-keeping concerning indirect activities**

1. At least semi-annually, WMB will collect information on community development activities of its parent and affiliates. Information will include grants extended to organizations promote community development in low and moderate-income areas for low and moderate-income individuals, such as youth programs, homeless centers, soup kitchens, health care facilities, battered women's centers, alcohol and drug recovery centers, and day care facilities.
2. WMB will collect information on the level of activity and significant impact of payroll check cashing, money orders, and money transfer services to unbanked and under-banked individuals provided by Wal-Mart Stores, Inc. through partners such as Certegy and MoneyGram.
3. WMB will collect information of service activities performed by employees of Wal-Mart Stores on boards of directors for organizations that promote credit availability, financing affordable housing or other financial services organizations or intermediaries that help meet the credit needs of low- and moderate income individuals.
4. WMB will provide geographic information on affiliate retail stores that are located in low- and moderate-income census tracts.